ANNUAL REPORT

1953

CASTLE & COOKE, LIMITED

CASTLE & COOKE, LIMITED

HONOLULU, HAWAII

DIRECTORS

J. BALLARD ATHERTON	P. K. McLEAN
E. E. BLACK	J. H. MIDKIFF
A. G. BUDGE	GEO. G. MONTGOMERY
H. K. L. CASTLE	A. F. STUBENBERG
S. N. CASTLE	HENRY A. WHITE
C. J. HENDERSON	H. W. B. WHITE

OFFICERS

A. G. BUDGE	President
H. K. L. CASTLE	Vice-President
C. J. HENDERSON	Vice-President
MALCOLM MacNAUGHTON	Vice-President
*GEO. G. MONTGOMERY	Vice-President and Chairman of the Finance Committee
FREDERICK SIMPICH, JR.	Vice-President and Secretary
W. M. BUSH	Treasurer
L. J. HOUGHTON	Assistant Treasurer
HOWARD HUBBARD	Assistant Treasurer
J. C. KELLEY	Assistant Treasurer
HENRY B. CLARK, JR.	Assistant Secretary
L. F. DEACON	Assistant Secretary
W. M. HALE, JR.	Assistant Secretary
H. M. RICHARDS	Assistant Secretary

J. F. MURPHY	Director, Industrial Relations
W. R. NORWOOD	Director, Public Relations

AUDITOR

YOUNG, LAMBERTON & PEARSON

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank & Union Trust Co.	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co.	San Francisco

* Resigned February 1, 1954

CASTLE & COOKE, LIMITED
P. O. BOX 2990
HONOLULU 2, HAWAII, U.S.A.

SAN FRANCISCO OFFICE
215 MARKET STREET

TELEGRAPHIC ADDRESS
"CASTLECOOK"

March 30, 1954

Each year the Castle & Cooke report is distributed to stockholders as well as to some opinion leaders in the community. We thought you might be interested in reviewing this account of the company's operations and earnings for the past year. Your comments will be welcome.

A G Budge
President

REPORT OF THE PRESIDENT

To the Stockholders of Castle & Cooke:

A favorable combination of circumstances made 1953 a year of peak production in Hawaii, as on the mainland. For the first time since 1945 there were no major labor disputes affecting the Territory. Market and growing conditions were generally better than in 1952, resulting in improved returns to Hawaii's agricultural industries. Net return to the sugar industry, however, was less than in 1950 and 1951 and there are indications of a decline in sugar price in the year ahead. Pineapple and the merchandising of industrial equipment face increasing competition which will probably reduce profit margins. Although there is some slight evidence of progress toward stability in management-union relationships, major problems remain to be solved.

INVESTMENTS AND INCOME

Resumption of dividends by Hawaiian Pineapple Company, a substantial increase in the volume of freight moving in and out of Honolulu, and the prevalence of a favorable sugar price were the fundamentals responsible for improvement in Castle & Cooke's earnings in 1953. These earnings would have been greater but for the growing expense of the macadamia nut division which is an investment in the future.

Consolidated net profit for 1953 was $1,267,694 or $2.80 a share as compared with $2.25 in 1952. A dividend of $1.80 a share was paid in 1953—an increase of 20 cents over the prior year.

The company's balance sheet reflects the sale to Kohala Sugar Company of

our preferred stock in the plantation and payment by it of the $500,000 note held by Castle & Cooke.

The activities of the company and the corporations in which it has investments are summarized in the remainder of this report. Stockholders desiring further details will be mailed copies of the published reports of the affiliated companies upon returning the enclosed card.

FOOD PRODUCTION

SUGAR

A prolonged dry spell provided fine ripening conditions for sugar cane throughout the Territory. While future yields may be depressed by the drought, 1953 crops broke records on all islands. No financial records were broken, however.

Administration of the Sugar Act continued to follow historic lines regardless of the change to Republicanism in Washington, with the result that the return for 1953 was $123.36 per ton, or about the same as in the prior year. Administrative policy notwithstanding, prospects for 1954 are much less favorable. Oversupplies of sugar, particularly in the hands of domestic producers, operate to depress prices. There has been extensive expansion of beet acreage as a result of price declines and cutbacks in cotton and other crops. This increase in beet production seems certain to affect the marketing of our sugar and result in reduced returns.

Molasses prices failed to improve, our receipts averaging $13.33 per ton as compared with $14.61 in 1952. No reason for improvement in 1954 is apparent.

Expiration of the excess profits tax, however, may serve somewhat to offset lower returns and possible crop losses from drought damage on some plantations.

The year ended with the union labor contract still open on a number of questions, including wages and pensions.

Ewa

The plantation produced 61,643 tons of sugar, the second largest crop in its history. Profit was $633,151 as compared with $643,405 in 1952. Excess profits taxes and the terms of the lease with the Campbell Estate operated to deny the

stockholders a return from the increased tonnage. In the course of the year, the directors approved long-range plans for improving employe housing.

Kohala

Exceptional growing conditions and a program of clean cultivation and heavy fertilization culminated in a crop of 49,925 tons, the largest in the 91-year history of sugar production in the District. This crop compares with 40,850 tons produced in 1952 and the previous record of 44,449 tons harvested in 1951. Profit, however, was not satisfactory, amounting to only $321,861, an inadequate return on the investment. Reflecting the perverse weather at Kohala, the 1954 crop is forecast at about 41,000 tons due to the wet conditions under which it was started in 1952 and the drought of 1953. Studies of a more effective use of marginal Kohala lands continue.

Waialua

Prospects for a fifth successive record crop were dissipated by a three-month slowdown and strike at the start of harvesting. The issues were complex but centered on the incentive compensation to be paid harvesting crews under the new system of truck transport of cane. Although the men returned to work in May, the issue remained to be clarified in the industry-wide negotiations which were continuing at the year's end. The reduced crop totalled 55,047 tons, producing a profit of $430,692 as compared with $549,252 in 1952. The new transportation system and cleaning plant operated in accordance with expectations during the year, although certain difficulties still require solution. Prospects for the 1954 crop are good, but the strike and the drought will have an adverse effect on the crop cycle which will be felt for some time.

PINEAPPLE

Hawaiian Pineapple Company returned to profitable operation in its fiscal year ended May 31, 1953, with net earnings of $3,143,941 as compared with the loss in the preceding year of $1,631,853. Dividend payments were resumed in May, 1953, at the rate of 20 cents per quarter. Earnings for the past year continued to reflect inadequate profit margins. The performance achieved during the year was the result of stringent economies coupled with improved operating conditions. Oper-

ations during the current fiscal year were handicapped by the drought condition which prevailed throughout the Territory. Dole products continue to move in good volume although there has been no relief from the severe competition of other canned fruits which are available in abundant supply in mainland markets.

TUNA

Sales of Hawaiian Tuna Packers' products were necessarily cut back for the first six months of the year due to the poor fishing season in 1952. A good local catch and further development of foreign sources of fish for mainland markets permitted resumption of sales effort in the latter half of the year. While the profit was little better than break-even, the company entered the new year in a favorable inventory position and with an adequate pack in prospect. Some stability in the previously distressed tuna market has also been noted. Therefore, for the first time in the two-year period since Castle & Cooke took over this subsidiary, we face an opportunity to test its potentialities.

MACADAMIA NUTS

Clearing of the initial 1,000 acres of jungle land outside Hilo has been completed and all but 172 acres were planted to macadamias by the end of the year. Planting will be completed in 1954. Plans for pilot-plant construction are complete, and the first test harvesting and processing will be conducted in 1954. Market studies and costs of the development continue to be encouraging.

TRANSPORTATION

The success of our shipping operations and investment in Matson is directly related to the volume of cargo moving in and out of the port. When, as in 1953, there are no labor disturbances of consequence and the general level of prosperity and military spending is high, the docks, the freight department, and our investment in Matson prosper. Freight volume in 1953 was about 14 per cent above that of 1952. We expect a decline in business activity in the year ahead to return volume to 1952 levels.

MATSON

Matson operated under an adequate tariff and without serious interruption from labor difficulties, circumstances which have not prevailed since before the war. This permitted the company to return to the level of dividends paid for some years prior to 1946 when private operation of vessels was resumed.

During the year, Matson's leading role in developing the tourist trade of the Islands was again asserted by its decision to build still another new hotel at Waikiki. To be located across from the Moana and SurfRider near the Royal Hawaiian —all Matson-owned—the new resort will cater to middle-income travelers, will have 300 rooms, and complete restaurant, bar, and entertainment facilities.

ISTHMIAN

While Castle & Cooke has no stock ownership in the Isthmian Steamship Company, it continued to act as its sub-agent in Honolulu and so served consignees using the joint Matson-Isthmian service to and from the East Coast.

NIPPON YUSEN KAISHA

Arrangements were completed during the year for the freight department to act as Honolulu agent for Nippon Yusen Kaisha. While the volume of this business is not large, it permits us to offer local shippers a direct freight service from Japan.

CASTLE & COOKE TERMINALS

The higher volume of cargo moving through the port and management attention to improved methods of cargo handling combined to produce a successful year for this wholly-owned subsidiary.

The year was marked by better day-to-day relations with the union than we have experienced for the past several years. In March the first longshoremen retired under the new pension plan.

MERCHANDISING

The two subsidiary merchandising companies remained profitable, although margins have been cut by intense competition. A. F. Stubenberg, as a fabricator of specialized agricultural equipment, continued to provide the sugar and pineapple industries with the latest cultivation and harvesting devices. Hawaiian Equipment Company met with increasing success in expanding the use of International Harvester trucks by Island industry.

HELEMANO

Resumption of dividends by Hawaiian Pineapple Company benefited Helemano, which draws its income from its one-third stock interest in HAPCO and from rental of sugar and pineapple land. In 1952 dividends paid by Helemano were in excess of earnings. Despite the renewed dividends of the pineapple company this year, the Helemano dividend was not increased. The retention of income resulting from this policy offset the withdrawals from surplus the prior year.

OTHER INTERESTS

We have an investment in several companies which we do not serve as agent. The Bay & River Navigation Company continues its profitable operation transporting C&H sugar in San Francisco Bay. The Hawaiian Trust Company reported another successful year. The Home Insurance Company of Hawaii maintained its dividend despite increasing competition in the insurance field. Honolulu Oil Company continued its impressive earning record.

AGENCY SERVICES

Although not apparent in the brief individual business summaries which comprise this report, the agency services provided by Castle & Cooke for affiliated companies have contributed to the solution of a number of problems during the year. In addition to routine services, the staff worked on many special projects for the operating companies. Some illustrations follow:

The Purchasing Department negotiated the Territory's first contracts for use of nitrogen in the form of aqueous ammonia. This was in addition to the normal functions of the department as central buying agent for our own and affiliated companies.

The Land Department concluded leases of Waialua lands from Helemano and the Mendonca estate. As far as availability of land is concerned, this will permit the continued operation of Waialua at present production levels for another 40 years.

Our Industrial Relations Department, working in conjunction with the staff of Castle & Cooke Terminals, completed a contract with the I.L.W.U. governing waterfront employment. The waterfront pension plan was amended to cover supervisory employes. This was in addition to the most prolonged negotiations on the sugar contract in the history of our union relations.

The Operation Analysis Department completed a detailed study of land use potentials in the Kohala area. This department also continued its review of new business and investment opportunities.

As part of a program of consolidating accounting functions of subsidiary companies, our Accounting Department took over the books of the Hawaiian Equipment Company during the year.

The foregoing, a few isolated examples, reflect the type of work in which the various departments of the agency are engaged and the manner in which the consolidation of technical and specialized staff functions in a central office can be of service to our affiliated companies.

STOCKHOLDERS AND EMPLOYES

There was little change in the size of the staff or the number of stockholders during the year.

Toward the close of 1953 the directors accepted with regret the resignation of George G. Montgomery, vice president and chairman of the finance committee. For 20 years the able and widely-respected head of our mainland operations, Mr.

Montgomery resigned to accept the presidency of the Kern County Land Company, an opportunity we could not duplicate. We are pleased to have Mr. Montgomery continue as a director of this company.

CONCLUSION

As indicated by the foregoing report, a business such as ours is diverse and affects the community in various ways. It is evident that a high degree of citizen understanding and responsibility is essential to the stability and continued development of this or any American community. At best, it is not in the nature of human affairs that progress in any particular area can always be continuous, nor is it always possible to achieve full agreement.

We all bear responsibilities as individual citizens, and a business such as ours has a civic responsibility as a corporate citizen. As a business we have a two-way responsibility of understanding the needs and attitudes of the public and, at the same time, doing our best to make our objectives and functions understood by the public.

In the year ahead we hope for enlarged public understanding of our business—through the use of constructive public relations efforts, by continuing participation in community undertakings, and by a review of our policies and practices as they affect the needs of the community.

A J Budge

INVESTMENTS OF CASTLE & COOKE, LIMITED

AS OF DECEMBER 31, 1953

	Issued Shares	Number of Shares Held	% of Total Issued
SUBSIDIARIES:*			
Castle & Cooke Terminals, Ltd.	60,000	60,000	100.00
Hawaiian Equipment Co., Ltd.	50,000	50,000	100.00
Hawaiian Tuna Packers, Ltd.	110,000	109,957	99.96
A. F. Stubenberg, Ltd.	25,000	25,000	100.00
OTHER INVESTMENTS:			
Bay & River Navigation Co.	17,000	2,925	17.21
Ewa Plantation Co.	250,000	51,082	20.43
Hawaiian Pineapple Co., Ltd.	1,492,438	236,500	15.85
Hawaiian Trust Co., Ltd.	83,080	5,042	6.07
Helemano Company, Ltd.	609,375	162,500	26.67
Home Insurance Co. of Hawaii, Ltd.	50,000	19,650	39.30
Honolulu Oil Corporation	1,875,486	80,000	4.27
Kohala Sugar Co.	159,500	154,838	97.08
Matson Navigation Co.	1,660,202	206,667	12.45
Waialua Agricultural Co., Ltd.	609,375	158,500	26.01

* The financial position and operating results of these companies are consolidated with those of Castle & Cooke, Limited.

CASTLE & COOKE, LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AT DECEMBER 31st

	1953		1952	
CURRENT ASSETS:				
Cash	$ 2,146,803		$ 1,217,958	
U. S. Government Securities at Cost Less Amortization	2,876,474		1,530,422	
Accounts and Other Receivables	1,702,540		1,165,431	
Inventories:				
Merchandise at Lower of Cost or Market	3,161,331		2,736,247	
Supplies at Cost	153,233		332,077	
Prepaid Expenses	129,727		51,150	
		$10,170,108		$ 7,033,285
Note Receivable—Kohala Sugar Company		....		500,000
		$10,170,108		$ 7,533,285
DEDUCT CURRENT LIABILITIES:				
Accounts and Other Payables	$ 3,662,330		$ 2,439,062	
Notes Payable	1,450,000		....	
Provision for Income Taxes	470,919		368,685	
		5,583,249		2,807,747
NET WORKING ASSETS		$ 4,586,859		$ 4,725,538
INVESTMENTS AT BOOK VALUE		10,709,860		11,099,879
LAND AT COST		869,549		827,752
BUILDINGS AND EQUIPMENT (Less Reserve for Depreciation)		2,460,843		1,729,003
OTHER ASSETS—NOTES RECEIVABLE		214,653		227,510
DEFERRED CHARGES		85,380		123,163
		$18,927,144		$18,732,845
DEDUCT:				
Reserves:				
Workmen's Compensation	$ 3,033		$ 4,256	
Contingencies	30,000		30,000	
Minority Interest in Subsidiary	606		595	
		33,639		34,851
TOTAL NET ASSETS IN WHICH CAPITAL WAS INVESTED		**$18,893,505**		**$18,697,994**
SOURCES FROM WHICH ABOVE NET ASSETS WERE OBTAINED:				
Capital Stock—500,000 Shares at $20.00 Par Value	$10,000,000		$10,000,000	
Capital in Excess of Par Value of Stock	710,390		710,401	
Accumulated Earnings Retained and Used in the Business	9,404,501		8,938,803	
	$20,114,891		$19,649,204	
Less Treasury Stock at Cost	1,221,386	(47,680 Shares)	951,210	(36,009 Shares)
TOTAL CAPITAL INVESTED		**$18,893,505**		**$18,697,994**

CASTLE & COOKE, LIMITED
CONSOLIDATED STATEMENT OF OPERATING RESULTS

	1953		1952	
INCOME:				
Agency Fees	$1,563,812		$1,432,151	
Sales of Goods and Services (Subsidiaries)	2,710,464		2,353,302	
Dividends	1,062,596		863,570	
Interest	65,033		72,129	
Rents	209,725		33,213	
Miscellaneous—Net	(13,790)*		(45,163)*	
		$ 5,597,840		$4,709,202
COSTS:				
Operating Expenses	$3,859,227		$3,294,327	
Territorial Income, Federal Income and Excess Profits Taxes	470,919		368,685	
		4,330,146		3,663,012
NET INCOME		**$ 1,267,694**		**$1,046,190**
ACCUMULATED EARNINGS RETAINED AND USED IN THE BUSINESS—January 1st		**8,938,803**		**8,621,725**
ADD:				
Transfer from Reserve for Bad Debts		25,000		....
Transfer from Reserve for Contingencies		....		22,594
		$10,231,497		**$9,690,509**
DEDUCT:				
Dividends Paid		826,996		751,706
ACCUMULATED EARNINGS RETAINED AND USED IN THE BUSINESS—December 31st		**$ 9,404,501**		**$8,938,803**

* Parentheses indicate loss.

AUDITOR'S CERTIFICATE

To the Stockholders of
Castle & Cooke, Limited:

We have examined the consolidated statement of financial condition of Castle & Cooke, Limited, and those subsidiaries consolidated as of December 31, 1953, and the consolidated statement of operating results for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have reviewed and accepted the report of independent auditors for one of the subsidiaries.

In our opinion, the accompanying statements of financial condition and operating results present fairly the consolidated financial position of Castle & Cooke, Limited, and those subsidiaries consolidated at December 31, 1953, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

YOUNG, LAMBERTON & PEARSON
Certified Public Accountants

Honolulu, Hawaii
March 23, 1954